

A STUDY ON FACTORS AFFECTING EMPLOYEE RETENTION IN MANUFACTURING ENTERPRISES IN COIMBATORE DISTRICT

Dr. R. Prabusankar

Associate Professor, School of Management, Sri Krishna College of Engineering and
Technology (Autonomous), Coimbatore- 641 008, Tamil Nadu, India.

ABSTRACT

Retention of employees is emerging as the most important human resource management problems in manufacturing sector. The manufacturing enterprises are also facing a problem of motivating and retaining the employees in an environment of augmented uncertainties. The manufacturing enterprises are committed to hold their valuable employees because these employees are imperative to their success. The compensation, career development, relationship and proximity are the factors affecting employee retention in manufacturing enterprises. The results indicate that there is significant difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises. The compensation, career development, proximity and relationship are positively and significantly influencing the commitment of employees. In order to retain and improve commitment of the employees, manufacturing enterprises should provide fair and adequate compensation and create opportunities for growth and development of their employees through effective training programmes and career progression plans. The manufacturing enterprises should provide proper work environment and encourage employees to develop and maintain better relationship among them.

Key Words: Commitment, Employee Retention, Manufacturing Enterprises

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1. INTRODUCTION

Retention of employees is emerging as the most important human resource management problems in manufacturing sector. The successful manufacturing enterprises will be those which provide good work environment where its success and sustainability relies on innovative ideas, creativeness and job flexibility. The stable employees generate a

considerable competitive advantage and if manufacturing enterprises have unsteady work conditions, it may be forced to invest largely on recruitment, orientation, training and supervision.

The manufacturing enterprises are now facing of shortage in skilled employees who have abilities and knowledge to perform their jobs at high levels, meaning that manufacturing enterprises failing to retain high performing employees will be left with underemployed, low performing employees that eventually hamper their ability to be competitive (Rappaport, 2003). The manufacturing enterprises are also facing a problem of motivating and retaining the employees in an environment of augmented uncertainties. Retention rates usually falls as employees become unfocused, baffled and preoccupied with possible outcomes immediately following an organizational transition.

The manufacturing enterprises are committed to hold their valuable employees because these employees are imperative to their success. For manufacturing enterprises, departure of employees can have a large impact on the implementation of business plans and strategies that significantly affect the performance. But, employees will leave manufacturing enterprises mainly for better salary, better growth and development and job satisfaction among different factors. Therefore, the present research is attempted to study factors affecting employee retention in manufacturing enterprises.

2. METHODOLOGY

Coimbatore district is selected for the present study. The data are collected from 200 employees of manufacturing enterprises by using random sampling method through structured questionnaire. To study the socio-economic profile of employees of manufacturing enterprises, the percentage analysis is done. To study the factors affecting employee retention in manufacturing enterprises, an exploratory factor analysis is carried out. To examine the difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises, the ANOVA (Analysis of Variance) is applied. To analyze the influence of factors affecting employee retention in manufacturing enterprises on commitment of employees, the multiple linear regression is used.

3. RESULTS AND DISCUSSION

3.1. Socio-Economic Profile of Employees of Manufacturing Enterprises

The socio-economic profile of employees of manufacturing enterprises was analyzed and the results are presented in Table-1. The results show that 60.50 per cent of employees are males and the remaining of 39.50 per cent of them are females. It is observed that 48.00 per cent of employees are in the age group of 26 – 35 years followed by 36 – 45 years (21.00 per cent), 21 – 25 years (19.50 per cent) and 46 – 55 years (11.50 per cent).

The results indicate that 31.50 per cent of employees have education of higher secondary followed by diploma (23.50 per cent), secondary (20.50 per cent), primary (17.50 per cent) and graduation (7.00 per cent). It is clear 58.50 per cent of employees are workers followed by Supervisors (23.00 per cent) and managers (18.50 per cent).

The results reveal that 56.00 per cent of employees have work experience of 6 – 10 years followed by 11 – 15 years (19.50 per cent), less than five years (15.50 per cent) and more than 15 years (9.00 per cent). It is seen that 59.50 per cent of employees in the monthly income group of Rs.15,001 – Rs.20,000 followed by below Rs.15,000 (16.00 per cent), Rs.20,001 – Rs.25,000 (13.00 per cent) and above Rs.25,000 (11.50 per cent).

Table 1 Socio-Economic Profile of Employees of Manufacturing Enterprises

Socio-Economic Profile	Number of Employees	Percentage
Gender		
Male	121	60.50
Female	79	39.50
Age Group		
21 – 25 years	39	19.50
26 – 35 years	96	48.00
36 – 45 years	42	21.00
46 – 55 years	23	11.50
Educational Qualification		
Primary	35	17.50
Secondary	41	20.50
Higher Secondary	63	31.50
Diploma	47	23.50
Graduation	14	7.00
Designation		
Managers	37	18.50
Supervisors	46	23.00
Workers	117	58.50
Work Experience		
Less than 5 years	31	15.50
6 – 10 years	112	56.00
11 – 15 years	39	19.50
More than 15 years	18	9.00
Monthly Income		
Below Rs.15,000	32	16.00
Rs.15,001 – Rs.20,000	119	59.50
Rs.20,001 – Rs.25,000	26	13.00
Above Rs.25,000	23	11.50

3.2. Factors Affecting Employee Retention In Manufacturing Enterprises

To study the factors affecting employee retention in manufacturing enterprises, an exploratory factor analysis is carried out and the results are presented in Table-2. The Kaiser-Meyer-Olkin (KMO test) measure of sampling adequacy (KMO = 0.753) and Bartlett's test of Sphericity (Chi-square value = 0.0239; significance = 0.000) indicates that the factor analysis method is appropriate.

Four factors that are extracted accounting for a total of 75.20 per cent of variations on 16 variables. The each of the four factors contributes to 24.19 per cent, 18.63 per cent, 17.92 per cent and 14.46 per cent respectively.

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 10 iterations.

Factor-I consists of adequate salary, cost effectiveness, increment, bonus and fringe benefits. Hence, this factor is named as **Compensation**.

Factor-II includes learning, recognition of skill, training and promotion. Therefore, this factor is named as **Career Development**.

Factor-III comprises of relationship with superiors, relationship with subordinates, flexibility in job and motivation. So, this factor is named as **Relationship**.

Factor-IV encompasses team work, communication and interpersonal relationships. Thus, this factor is named as **Proximity**.

Table 2 Factors Affecting Employee Retention in Manufacturing Enterprises

Factor	Variables	Rotated Factor Loadings	Eigen Value	% of Variation	Factor Name
I	Adequate salary	0.62	2.37	24.19	Compensation
	Cost effectiveness	0.66			
	Increment	0.64			
	Bonus	0.59			
	Fringe benefits	0.61			
II	Learning	0.58	1.34	18.63	Career Development
	Recognition of skill	0.63			
	Training	0.60			
	Promotion	0.57			
III	Relationship with superiors	0.56	1.19	17.92	Relationship
	Relationship with subordinates	0.67			
	Flexibility in job	0.61			
	Motivation	0.63			
IV	Teamwork	0.66	1.03	14.46	Proximity
	Communication	0.61			
	Interpersonal relationships	0.65			
	Cumulative % of Variation	-	-	75.20	-
	Cronbach's Alpha	-	-	-	0.87

Cronbach's Alpha value of the scale is 0.87 showing that each measure demonstrates acceptable level of internal consistency. It is inferred that compensation, career development, relationship and proximity are the factors affecting employee retention in manufacturing enterprises.

3.3. Socio-Economic Profile Of Employees And Factors Affecting Employee Retention In Manufacturing Enterprises

To examine the difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises, the ANOVA (Analysis of Variance) is applied and the results are presented in Table-3.

The results indicate that the F-values are significant at one per cent level indicating that there is significant difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises. So, the null hypothesis of there is no significant difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises is rejected.

Table 3 Difference between Socio-Economic Profile of Employees and Factors Affecting Employee Retention in Manufacturing Enterprises

Particulars	F-Value	Sig.
Gender and Factors Affecting Employee Retention in Manufacturing Enterprises	19.962 **	.000
Age Group and Factors Affecting Employee Retention in Manufacturing Enterprises	21.590 **	.000
Educational Qualification and Factors Affecting Employee Retention in Manufacturing Enterprises	23.648 **	.000
Designation and Factors Affecting Employee Retention in Manufacturing Enterprises	20.075 **	.000
Work Experience and Factors Affecting Employee Retention in Manufacturing Enterprises	26.914 **	.000
Monthly Income and Factors Affecting Employee Retention in Manufacturing Enterprises	17.836 **	.000

** Significant at one per cent level

3.4. Influence of Factors Affecting Employee Retention In Manufacturing Enterprises on Commitment of Employees

To analyze the influence of factors affecting employee retention in manufacturing enterprises on commitment of employees, the multiple linear regression is used and the results are presented in Table-4. The coefficient of multiple determination (R^2) is 0.66 and adjusted R^2 is 0.64 indicating the regression model is good fit. It is inferred that 64.00 per cent of the variation in dependent variable is explained by the independent variables. The F-value of 39.435 is statistically significant at one per cent level indicating that the model is significant.

Table 4 Influence of Factors Affecting Employee Retention in Manufacturing Enterprises on Commitment of Employees

Factors Affecting Employee Retention	Regression Co-efficients	t-Value	Sig.
Intercept	1.104 **	9.980	.000
Compensation (X_1)	.428 **	9.574	.000
Career Development (X_2)	.405 **	9.232	.000
Relationship (X_3)	.372 **	8.618	.000
Proximity (X_4)	.395 **	8.726	.000
R^2	0.66	-	-
Adjusted R^2	0.64	-	-
F	39.435	-	.000

** Significant at one per cent level

The results reveal that compensation, career development, proximity and relationship are positively and significantly influencing the commitment of employees at one per cent level. Therefore, the null hypothesis of there is no significant influence of factors affecting employee retention in manufacturing enterprises on commitment of employees is rejected

4. CONCLUSION

The foregoing analysis shows that compensation, career development, relationship and proximity are the factors affecting employee retention in manufacturing enterprises. The results indicate that there is significant difference between socio-economic profile of employees and factors affecting employee retention in manufacturing enterprises. The

compensation, career development, proximity and relationship are positively and significantly influencing the commitment of employees.

In order to retain and improve commitment of the employees, manufacturing enterprises should provide fair and adequate compensation and create opportunities for growth and development of their employees through effective training programmes and career progression plans. The manufacturing enterprises should provide proper work environment and encourage employees to develop and maintain better relationship among them. In addition, the employees should improve their teamwork, communication skills and interpersonal relationship with others.

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